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FISCAL IMPACT STATEMENT

LS 6164 **NOTE PREPARED:** Feb 14, 2011
BILL NUMBER: SB 26 **BILL AMENDED:** Feb 10, 2011

SUBJECT: Local Government Reorganization and Merger.

FIRST AUTHOR: Sen. Head **BILL STATUS:** As Passed Senate
FIRST SPONSOR: Rep. Truitt

FUNDS AFFECTED: **GENERAL** **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: (Amended) This bill requires the Department of Local Government Finance (DLGF) to develop criteria for making an adjustment to allow a political subdivision to retain a part of its levy and budget that would otherwise be reduced because of savings: (1) from a government reorganization or township merger; (2) from the transfer, combination, or sharing of powers, duties, functions, or resources under an interlocal cooperation agreement; or (3) from the combination or reorganization of the political subdivision's departments, agencies, or functions.

The bill provides that the amount of such an adjustment may not exceed a specified percentage of the savings or reduction realized in the first full year of operation after the merger or reorganization or the transfer, combination, or sharing of powers, duties, functions, or resources. It provides that the percentage is 50% in the first year of the adjustment and phases down to 10% in the fourth year of the adjustment and thereafter.

This bill provides that the fiscal body of the political subdivision shall determine and certify to the DLGF the amount of the adjustment that the political subdivision wishes to accept. It specifies that in the case of a reorganization under the government reorganization statutes, the amount of any adjustment accepted by a reorganized political subdivision must comply with the reorganization agreement.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The bill would have no fiscal impact on the DLGF, although the DLGF would be required to establish criteria related to maximum levy adjustments for merged townships.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Government Modernization:* Under current law, when a taxing unit or units realize a savings or reduction in future expenses because of actions taken under the Government Modernization statute, the DLGF must adjust the units' maximum levies. The adjustment may not exceed 50% of the savings. Under this provision, the taxing units would be permitted to continue to levy a portion of the amount saved. The amount that the unit could continue to levy would be limited to 50% of the savings in the first and second years, 30% in the third year, and 10% in the forth and following years. This provision would reduce the maximum amount that a merged unit could continue to levy after two years.

Township Merger: This provision addresses potential savings realized by townships under the Township Merger statute. Currently, the DLGF must approve a new budget, levy, and tax rate for a new township formed by the merger of two or more townships. This statute does not specify the amounts that the DLGF may approve. Under this bill, the townships would be permitted to continue to levy a portion of the amount saved. The amount that the unit could continue to levy would be limited to 50% of the savings in the first and second years, 30% in the third year, and 10% in the forth and following years. The bill would potentially provide additional resources to merged townships by allowing the new township to retain a portion of the levy associated with the savings from the merger.

Government Modernization and *Township Merger:* For maximum levy adjustments under both the Government Modernization and Township Merger statutes, this bill would require the fiscal bodies of the local units involved to determine the amount of the acceptable adjustment and certify that amount to the DLGF. In the case of a certification under the Government Modernization statute, the amount would have to comply with the reorganization agreement.

Interlocal Agreements and Internal Reorganization: Under this provision, The maximum levies of taxing units that realize a savings through interlocal agreements with other units or from the reorganization of departments or functions within the unit, would be reduced to reflect the savings. The units would be permitted to continue to levy a portion of the amount saved. The amount that the unit could continue to levy would be limited to 50% of the savings in the first and second years, 30% in the third year, and 10% in the forth and following years. This provision would reduce the property tax revenue for these taxing units.

State Agencies Affected: DLGF.

Local Agencies Affected: Merged townships; Reorganized taxing units; Taxing units realizing savings due to interlocal agreements and internal reorganization..

Information Sources:

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